



# STATE OF CONNECTICUT

## OFFICE OF POLICY AND MANAGEMENT

### **TESTIMONY PRESENTED TO THE APPROPRIATIONS COMMITTEE** *April 7, 2009*

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Testimony Regarding House Bill No. 6364

### **AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR ENDING JUNE 30, 2009**

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Senator Harp, Representative Geragosian and distinguished members of the Appropriations Committee, thank you for the opportunity to offer testimony on House Bill No. 6364, An Act Making Deficiency Appropriations for the Fiscal Year Ending June 30, 2009.

#### Department of Social Services

In the Department of Social Services, OPM is projecting a shortfall in the Medicaid account of \$50.98 million. This amount includes the impact of the April Finance Advisory Committee ("FAC") action that reduced the Medicaid appropriation by \$27.5 million in order to address cash-flow problems in other agency accounts. Apart from the FAC, the Medicaid account is projected to have a shortfall primarily due to the expansion of HUSKY Adults from 150% to 185% of the federal poverty level. At the time the budget was enacted two years ago, the appropriation assumed an increase of 9,700 cases due to this expansion; to date over 28,000 individuals have sought assistance under the expanded definition of eligibility.

It is expected that the department will seek additional FAC approval to transfer funds among the department's other accounts to address any remaining shortfalls closer to the end of the fiscal year.

### Department of Corrections

For the current fiscal year, the Department of Correction has an estimated deficiency of \$16.92 million, which is primarily due to the rollout of last fiscal year's deficiency. Increased overtime costs have lead to a deficiency of \$2.65 million in the agency's Personal Services account. Increased prisoner population levels and inflationary impacts to direct and indirect inmate care line items resulted in a \$13.07 million deficiency in the Other Expenses account. Additionally, the Workers' Compensation Claims account has an estimated shortfall of \$1.2 million due to an increase in new lost time claims, recurrence claims, and duration of disability.

### Department of Mental Health and Addiction Services

Deficiencies totaling \$7.6 million are projected in the Department of Mental Health and Addiction Services. The shortfalls are a result of corrective actions taken in response to 2007 surveys of Connecticut Valley Hospital by the federal Department of Justice and the Centers for Medicare and Medicaid Services. These corrective measures required the Department to hire staff for 126 clinical positions, make physical improvements to patient care areas and retain consultants to improve treatment planning and provide staff training at all clinical levels. Because the 2008 legislative session ended without revisions to the adopted budget for the 2009 fiscal year, the costs of these corrective actions were not annualized in the DMHAS budget. These costs have, however, been incorporated into the Governor's proposed biennial budget and the budget reported out of the Appropriations Committee. The components of the deficiency are: \$4.4 million for Personal Services expenses, \$2.0 million in Other Expenses, and \$1.2 million in Professional Services. As a result of FAC action on April 2nd of this year, lapses totaling \$3 million were transferred between accounts to cover various other shortfalls beyond the deficiency noted here.

### Workers' Compensation

The General Government Workers' Compensation Claims account is experiencing unbudgeted costs of \$1.5 million due to several factors: increased state payroll, increased medical inflation, and the lack of an adjustment to the FY 2009 budget appropriation to reflect the FY 2008 deficiency of \$1.25 million.

### Covering the Deficiencies

Funding to cover these deficiencies is available from several accounts. In OPM, \$30,400,000 is available from the PILOT - New Manufacturing Machinery and Equipment (M&E) account because current economic conditions have depressed the demand for newly acquired machinery and equipment in manufacturing facilities.

In the Higher Education Alternative Retirement Plan, funds are available because the FY 2008 activity was much lower than appropriated and that trend has continued into FY 2009.

In the State Employees Health account and the Retiree Health account, funds are available as a result of the new RFP rates that were negotiated early last calendar year. The negotiated rates ended up being much lower than the rates in the FY 2008 - 2009 budget.

There is an anticipated lapse in social security that is due in large part to the hiring freeze.

Attached is a revised bill that reflects the deletion of the higher education units that were included in the original bill. As the total deficiencies have decreased, these accounts were no longer necessary.

I would like to again thank the committee for the opportunity to present this testimony.

**AN ACT MAKING DEFICIENCY APPROPRIATIONS FOR THE FISCAL YEAR  
ENDING JUNE 30, 2009.**

Section 1. (*Effective from passage*) The amounts appropriated to the following agencies in section 11 of public act 07-1 of the June special session are reduced by the following amounts for the fiscal year ending June 30, 2009:

GENERAL FUND	\$
OFFICE OF POLICY AND MANAGEMENT	
PILOT - New Manufacturing Machinery and Equipment	30,400,000
STATE COMPTROLLER - FRINGE BENEFITS	
Higher Education Alternative Retirement System	3,575,000
Employers Social Security Tax	2,000,000
State Employees Health Service Cost	11,825,000
Retired State Employees Health Service Cost	29,200,000
TOTAL - GENERAL FUND	77,000,000

Sec. 2. (*Effective from passage*) The following sums are appropriated for the purposes herein specified for the fiscal year ending June 30, 2009:

GENERAL FUND	\$
DEPARTMENT OF MENTAL HEALTH AND ADDICTION SERVICES	
Personal Services	4,400,000
Other Expenses	2,000,000
Professional Services	1,200,000
AGENCY TOTAL	7,600,000
DEPARTMENT OF SOCIAL SERVICES	
Medicaid	50,980,000

DEPARTMENT OF CORRECTION

Personal Services	2,650,000
Other Expenses	13,070,000
Workers' Compensation Claims	1,200,000
AGENCY TOTAL	16,920,000

WORKERS' COMPENSATION CLAIMS -

DEPARTMENT OF ADMINISTRATIVE SERVICES

Workers' Compensation Claims	1,500,000
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TOTAL - GENERAL FUND	77,000,000
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